

# CBO Estimates of Medicare Proposals in the President's Budget for Fiscal Year 2007

Budget authority and outlays by fiscal year, in billions of dollars. (Savings of less than \$50 million are shown with an asterisk.)

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|  | 2006  | 2007  | 2008  | 2009  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 2006-2011 | 2006-2016 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-----------|-----------|
| <b>Part A</b>  |       |       |       |       |       |       |       |       |       |       |       |           |           |
| Inpatient PPS Hospital Update: MB-0.45 in 2007; MB-0.4 in 2008-09      | 0     | -0.4  | -0.8  | -1.3  | -1.3  | -1.4  | -1.5  | -1.6  | -1.7  | -1.9  | -2.0  | -5.3      | -14.0     |
| Inpatient Rehabilitation Facilities: Freeze in 2007; MB-0.4 in 2008-09 | 0     | -0.1  | -0.1  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.3  | -0.7      | -1.9      |
| SNF Update: Freeze in 2007; MB-0.4 in 2008-09                          | 0     | -0.4  | -0.6  | -0.7  | -0.7  | -0.8  | -0.8  | -0.9  | -0.9  | -1.0  | -1.0  | -3.1      | -7.7      |
| Hospice: Reduce update by 0.4 percent in 2007-09                       | 0     | *     | -0.1  | -0.1  | -0.1  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.6      | -1.5      |
| Post-acute care services   | 0     | -0.4  | -0.5  | -0.5  | -0.5  | -0.6  | -0.6  | -0.6  | -0.7  | -0.7  | -0.8  | -2.4      | -5.9      |
| <b>Part B</b>  |       |       |       |       |       |       |       |       |       |       |       |           |           |
| Outpatient Hospital Update: MB-0.45 in 2007; MB-0.4 in 2008-09         | 0     | -0.1  | -0.2  | -0.3  | -0.3  | -0.4  | -0.4  | -0.4  | -0.5  | -0.5  | -0.6  | -1.3      | -3.8      |
| Ambulance: Reduce update by 0.4 percent in 2007-09                     | 0     | *     | *     | *     | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.2      | -0.6      |
| Clinical Lab: Competitive Bidding                                      | 0     | 0     | -0.1  | -0.2  | -0.4  | -0.4  | -0.5  | -0.5  | -0.5  | -0.6  | -0.6  | -1.1      | -3.8      |
| Power Wheelchairs: Modify purchase rules                               | 0     | -0.4  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.1  | -0.7      | -1.1      |
| Oxygen Equipment: Reduce prices & cap rentals at 13 months             | 0     | -0.2  | -1.2  | -1.6  | -1.6  | -1.6  | -1.7  | -1.8  | -2.0  | -2.1  | -2.2  | -6.2      | -16.0     |
| ESRD: Extend MSP from 30 months to 60 months for large employers       | 0     | *     | -0.1  | -0.1  | -0.1  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.5      | -1.6      |
| <b>Parts A and B</b>   |       |       |       |       |       |       |       |       |       |       |       |           |           |
| HH Update: Freeze in 2007; MB-0.4 in 2008-09                           | 0     | -0.3  | -0.6  | -0.7  | -0.8  | -0.9  | -1.0  | -1.1  | -1.2  | -1.3  | -1.5  | -3.2      | -9.3      |
| Require group health plans to report MSP data                          | 0     | *     | -0.1  | -0.1  | -0.1  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.2  | -0.6      | -1.6      |
| Eliminate payments for bad debt  | 0     | -0.1  | -0.6  | -1.0  | -1.4  | -1.9  | -2.5  | -2.8  | -3.1  | -3.5  | -3.9  | -5.0      | -20.7     |
| HSA Demonstration  | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0     | 0         | 0         |
| Interactions with payments to Medicare Advantage plans                 | 0     | -0.4  | -0.8  | -1.2  | -1.3  | -1.6  | -1.8  | -1.9  | -2.1  | -2.2  | -2.4  | -5.3      | -15.8     |
| Subtotal, gross outlays (before sequester)                             | 0     | -2.8  | -5.8  | -8.0  | -9.2  | -10.3 | -11.6 | -12.6 | -13.7 | -14.9 | -16.2 | -36.2     | -105.2    |
| <b>Offsetting Receipts</b>   |       |       |       |       |       |       |       |       |       |       |       |           |           |
| Eliminate indexing of threshold for income-related premiums            | 0     | 0     | *     | -0.3  | -0.8  | -0.9  | -1.0  | -1.1  | -2.2  | -3.5  | -5.3  | -2.0      | -15.1     |
| Interactions of changes in spending for benefits with premium receipts | 0     | 0.2   | 0.5   | 0.7   | 0.8   | 0.8   | 0.9   | 1.0   | 1.1   | 1.2   | 1.3   | 3.0       | 8.4       |
| Subtotal, offsetting receipts (before sequester)                       | 0     | 0.2   | 0.5   | 0.4   | 0.0   | 0.0   | -0.1  | -0.2  | -1.2  | -2.3  | -4.0  | 1.0       | -6.7      |
| Net change in direct spending (before sequester)                       | 0     | -2.6  | -5.4  | -7.7  | -9.2  | -10.4 | -11.7 | -12.8 | -14.9 | -17.2 | -20.2 | -35.2     | -111.9    |
| <b>Sequester (net change in direct spending) /1</b>                    | 0     | 0     | 0     | 0     | 0     | -1.8  | 0     | -2.1  | -4.4  | -7.2  | -10.6 | -1.8      | -26.1     |
| <b>Total changes in direct spending</b>                                | 0     | -2.6  | -5.4  | -7.7  | -9.2  | -12.2 | -11.7 | -14.8 | -19.3 | -24.4 | -30.8 | -37.0     | -138.0    |
| <b>Memorandum:</b>   |       |       |       |       |       |       |       |       |       |       |       |           |           |
| General revenue Medicare funding, before sequester (in percent) /2     | 39.2% | 42.0% | 42.3% | 42.6% | 43.2% | 45.4% | 43.1% | 45.8% | 47.1% | 48.3% | 51.0% |           |           |

## Notes.

1. The sequester would reduce payment rates for all services by 0.4 percent in the first year that General Revenue Medicare Funding (see note 2) is expected to exceed 45 percent of gross Medicare spending. The sequester would increase by 0.4 percentage points in each subsequent year that General Revenue Medicare Funding is expected to exceed that percentage.
2. General Revenue Medicare Funding is total gross spending for Medicare minus funding from dedicated sources (such as premiums, payroll taxes, taxes on Social Security benefits).

ESRD = end-stage renal disease; HSA = health savings account; HH = home health; MB = market basket; MSP = Medicare as secondary payer; PPS = prospective payment system; SNF = skilled nursing facility.